

FISCAL NOTE

HB 677 - SB 820

March 16, 2007

SUMMARY OF BILL: Increases the maximum sales and use tax exemption for membership dues or fees for recreational clubs or community service organizations from \$150 per member per year to \$375 per member per year.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$3,550,000

Decrease Local Govt. Revenues - \$1,141,000

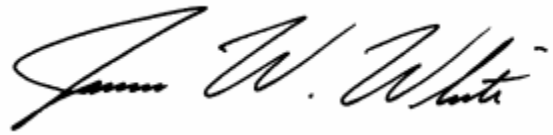
Assumptions:

- According to the Department of Revenue (DOR), and based from the 2002 Economic Census conducted by the U.S. Census Bureau, total receipts of civic, business, and professional organizations in Tennessee were estimated to be \$640,200,000 for 2002.
- 1.0% annual growth from 2002 to 2008.
- Adjusted annual gross revenues for FY07-08 are estimated to be \$676,200,000.
- 25% of all organizational revenue is derived from annual membership dues/fees.
- Annual revenue derived from membership dues/fees is estimated to be \$169,050,000 ($\$676,200,000 \times 25\% = \$169,050,000$).
- The current state sales tax rate is 7.0%.
- The local option sales tax rate is estimated to average 2.25%.
- 50% (or \$84,525,000) of revenues derived from membership dues/fees are exempt under the current \$150 exemption limit.
- The current \$150 exemption limit results in reduced state revenues of approximately \$5,917,000 per year ($\$84,525,000 \times 7\% \text{ state rate} = \$5,916,750$).
- The current \$150 exemption limit results in reduced local government revenues of approximately \$1,902,000 per year ($\$84,525,000 \times 2.25\% \text{ local option rate} = \$1,901,813$).

- 80% (or \$135,240,000) of revenues derived from membership dues/fees become exempt under the proposed \$375 exemption limit.
- The proposed \$375 exemption limit will reduce state revenues by approximately \$9,467,000 per year ($\$135,240,000 \times 7\%$ state rate = \$9,466,800).
- The proposed \$375 exemption limit will reduce local government revenue by approximately \$3,043,000 per year ($\$135,240,000 \times 2.25\%$ local option rate = \$3,042,900).
- The decrease to state revenues is estimated to be \$3,550,000 per year ($\$9,467,000 - \$5,917,000 = \$3,550,000$).
- The decrease to local government revenues is estimated to be \$1,141,000 per year ($\$3,043,000 - \$1,902,000 = \$1,141,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director